



Western Washington University
Wade King Student Recreation Center
Financial Statements
June 30, 2007 and 2006

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Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Wade King Student Recreation Center (the Recreation Center) for the years ended June 30, 2007, 2006, and 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

The Wade King Student Recreation Center is a relatively new facility and operates on the Western Washington University's campus. The year ended June 30, 2007 was strong financially. Although voluntary membership fees and youth program revenues were lower than anticipated, this shortfall was offset by increased investment earnings and temporary savings from vacant positions.

Presentation of the Financial Statements

The Recreation Center's financial reports include the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The Recreation Center's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Statement of Net Assets

The Statements of Net Assets presents the financial condition of the Recreation Center at the end of the fiscal year and report all assets and liabilities of the Recreation Center.

The amounts in these statements represent the assets available to continue the operations of the Recreation Center, and identifies the amount the Recreation Center owes vendors or other parties. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the Recreation Center. The change in net assets measures whether the overall financial condition has improved or deteriorated during the year.

Below is a condensed view of the Statement of Net Assets as of June 30, 2007, 2006, and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Current assets	\$ 1,749,642	\$ 1,383,601	\$ 1,143,718
Noncurrent assets	843,480	612,394	440,000
Capital assets	<u>25,083,324</u>	<u>25,804,940</u>	<u>26,496,925</u>
Total assets	<u>27,676,446</u>	<u>27,800,935</u>	<u>28,080,643</u>
Liabilities			
Current liabilities	1,042,186	1,012,398	1,040,312
Noncurrent liabilities	<u>25,191,065</u>	<u>25,686,357</u>	<u>26,164,793</u>
Total liabilities	<u>26,233,251</u>	<u>26,698,755</u>	<u>27,205,105</u>
Net Assets			
Invested in capital assets, net	(652,741)	(406,417)	(172,868)
Restricted for system renewals	843,480	612,394	440,000
Unrestricted	<u>1,252,456</u>	<u>896,203</u>	<u>608,406</u>
Total net assets	<u>\$ 1,443,195</u>	<u>\$ 1,102,180</u>	<u>\$ 875,538</u>

Current and non-current assets increased \$597,127 over fiscal 2006 and \$1,009,404 over fiscal 2005 as a result of increased operating and investment income. The capital asset balance decreased \$721,616 and \$1,413,601 over fiscals 2006 and 2005 respectively as the building continues to be depreciated.

Current liabilities increased slightly, \$29,788 over fiscal 2006 and \$1,874, over fiscal 2005. Non current liabilities decreased \$495,292 and \$973,728 over fiscal 2006 and 2005 respectively due to debt payments on the outstanding bonds relating to the Recreation Center building.

Overall net assets increased \$341,015 and \$567,657 over fiscal 2006 and 2005, respectively. Invested in capital assets, net of related debt continues to decrease as the Recreation Center facility is depreciated and the outstanding debt obligation is met. Restricted for system renewals increased \$261,086 and \$403,480 over the two prior fiscal years as management contributes funds for this purpose over the amounts required by the debt covenants. These assets are classified as restricted on the Statement of Net Assets.

Statement of Revenues, Expenses, and Changes in Net Assets

The changes in total net assets, as presented on the Statement of Net Assets, are detailed in the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The statement presents the Recreation Center's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

In general, operating revenues are those received for providing goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Non-operating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating revenue.

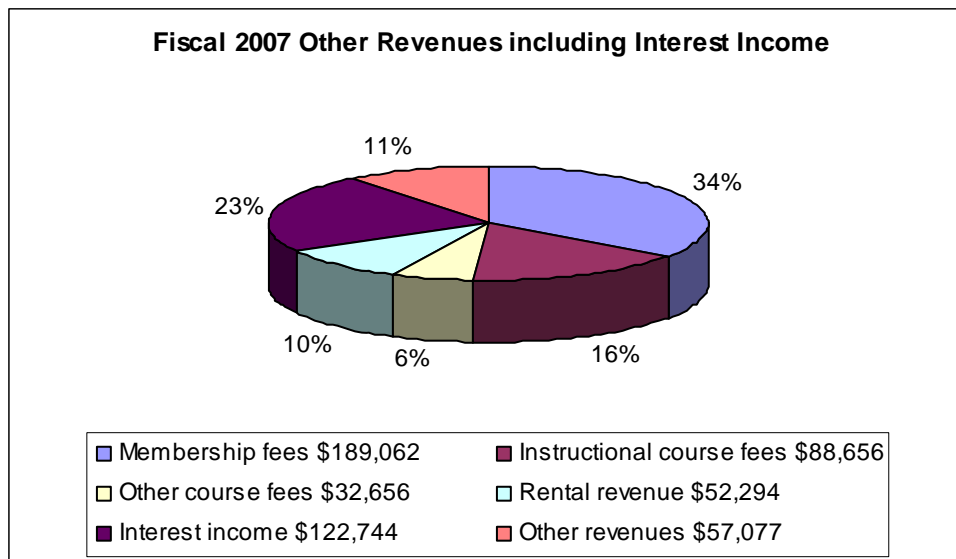
Following is a condensed version of the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2007, 2006, and 2005:

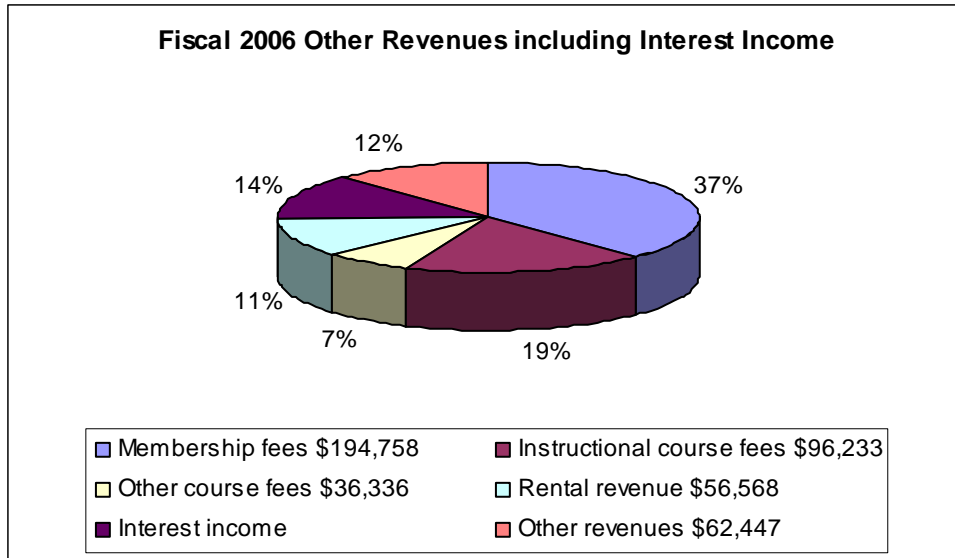
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 3,947,500	\$ 3,851,267	\$ 3,658,931
Operating expenses	<u>(2,390,729)</u>	<u>(2,338,547)</u>	<u>(2,175,213)</u>
Income (loss) from operations	1,556,771	1,512,720	1,483,718
Nonoperating revenues	172,794	119,714	140,974
Nonoperating expenses	<u>(1,388,550)</u>	<u>(1,405,792)</u>	<u>(1,432,497)</u>
Increase in net assets	341,015	226,642	192,195
Net assets, beginning of year	1,102,180	875,538	683,343
Net assets, end of year	<u>\$ 1,443,195</u>	<u>\$ 1,102,180</u>	<u>\$ 875,538</u>

Revenues

The Recreation Center's largest source of revenue is a \$93 per quarter mandatory student fee for those students on the main campus taking 6 or more credits, increased from \$89 in fiscal year 2006 and \$85 in fiscal year 2005. With steady enrollment consistent with the previous fiscal year, the student fee revenue for fiscal year 2007 was \$3,527,755, \$122,830 above fiscal year 2006. The increase in student fee revenue from fiscal year 2005 to fiscal year 2006 was \$198,483.

Other sources of revenue, excluding gift income, increased from \$493,463 in fiscal year 2005 to \$516,056 in fiscal year 2006 and to \$542,489 in fiscal year 2007. This increase in other sources of revenue can be attributed to an increase in investment income, \$122,744 in fiscal year 2007 compared to \$69,714 in fiscal year 2006, due to higher monies transferred in the reserve accounts. This amount increased from 13% of the revenue in FY06 to 23% of the total other revenue in fiscal 2007. In fiscal year 2005, interest income comprised only 8% of the other revenue.



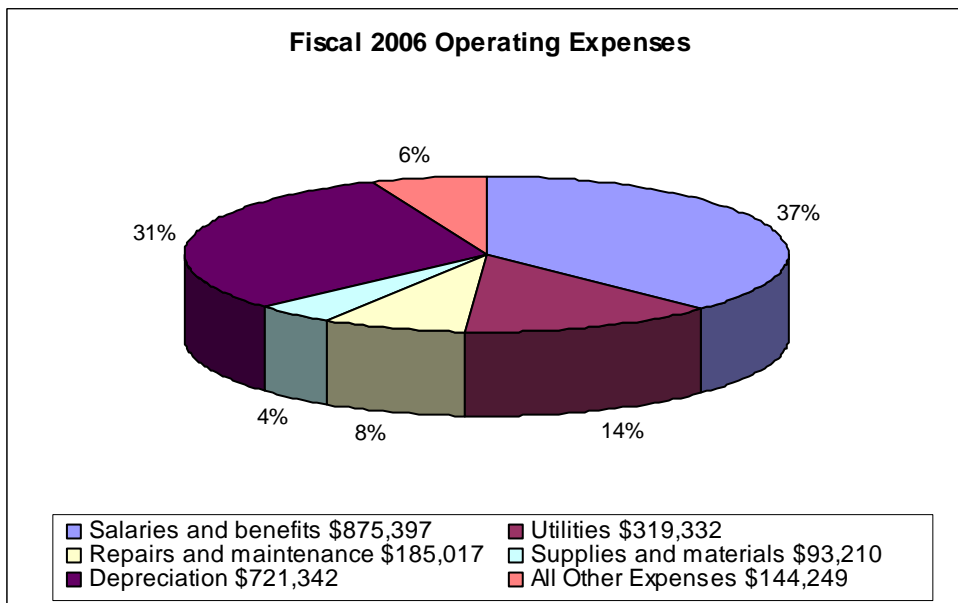
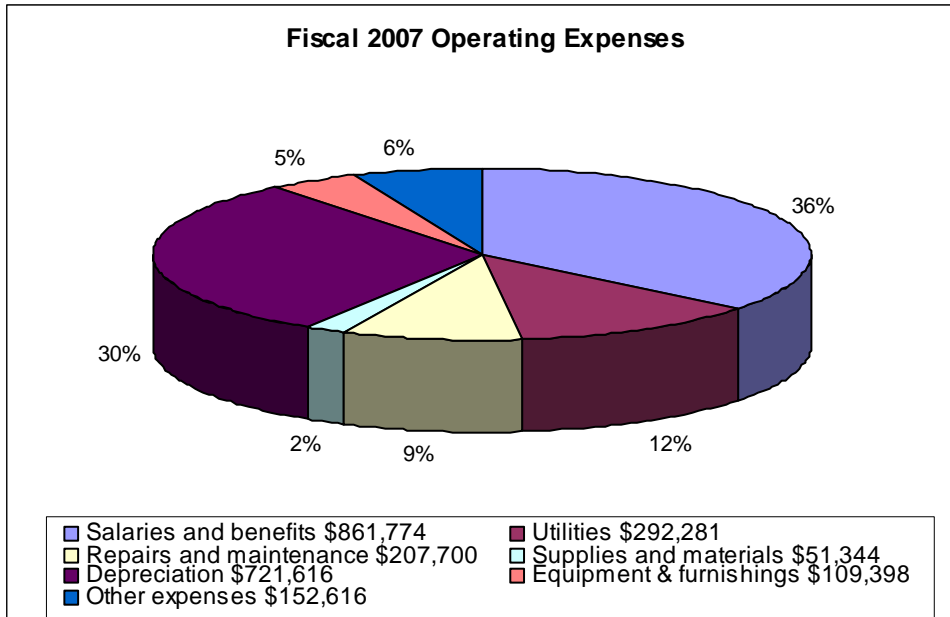


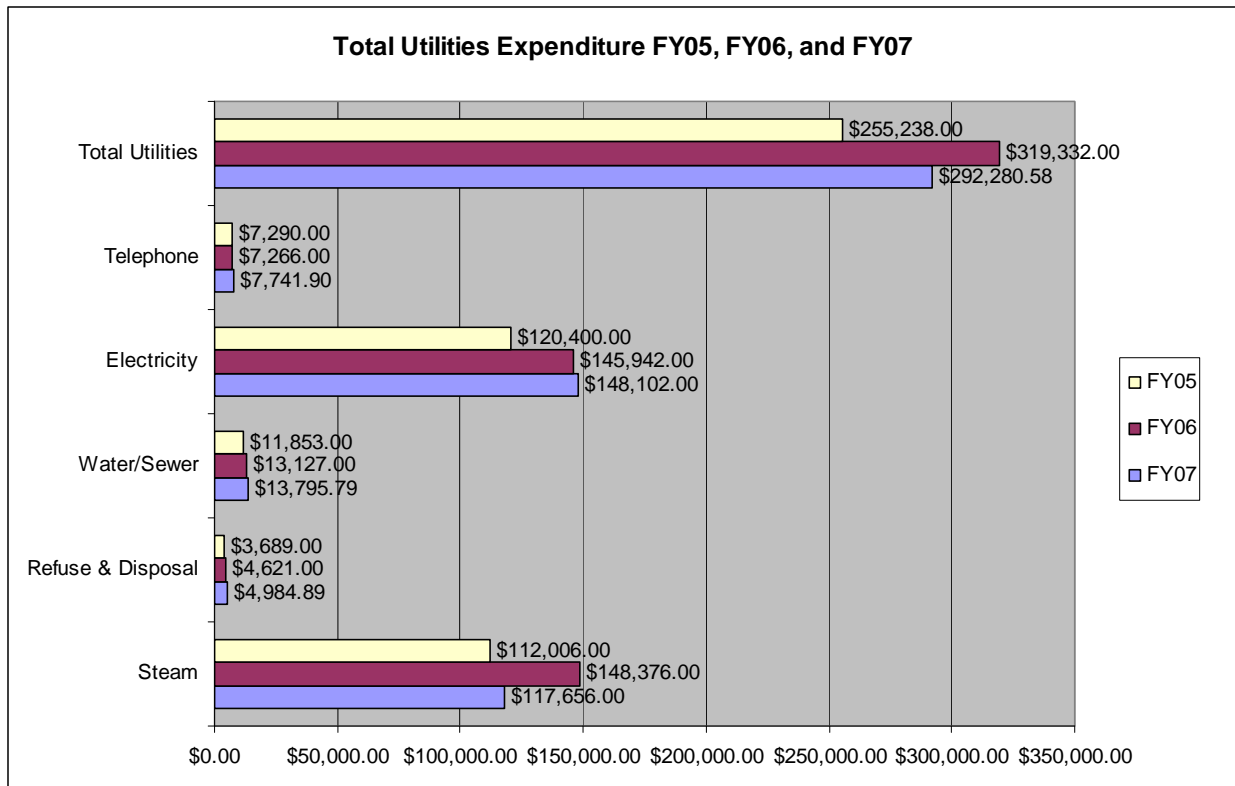
Expenses

The majority of fiscal year 2007 expenses were in student and professional salaries and benefits, 36% of total operating expenses. This amount decreased \$13,623 from \$875,397 during fiscal 2006 due to temporary openings during the hiring process and increased \$48,279 from fiscal 2005.

The most significant cost increase was a 12% increase in repairs and maintenance. This is attributed to an increase in preventative maintenance, as well as projects that were necessary to uphold the standards for Environmental Health and Safety.

The projected expense for utilities was \$360,935, compared to actual expense of \$292,281, a decrease of \$27,011 from 2006 but \$37,043 greater than fiscal 2005. This decrease in utility cost projections is attributed to a higher than necessary consumption in the previous fiscal year resulting from a faulty CO₂ sensor. The faulty sensor caused increased outside air to be brought into the facility and heated during the cold months of November 2005 through March 2006.





Reserve Funds

- Bond Covenants require an annual addition to the Renewal and Replacement (R&R) Reserve. The initial five year requirement was for fund transfers of \$100,000 in 2004, \$150,000 in each of 2005 and 2006, and \$200,000 in 2007. All of the transfers were made as planned including an additional \$190,000 in fiscal 2004. The Bond Covenants also require management to review fund balances and long term facility needs and set the planned contribution level for the next five years accordingly. The total R&R balance including interest at June 30, 2007 totaled \$843,480.
- An Operating Reserve was established by management to address increased equipment costs due to higher utilization as well as the general volatility of this type of operation. Approximately \$656,000 was placed in this reserve at the end of 2005, plus \$285,749 in 2006 and \$300,000 in 2007. The reserve balance at June 30, 2007 is \$1,142,031. These assets are reported as unrestricted on the Statement of Net Assets.
- The Wade King donation commitment of \$50,000 per year now totals \$200,000 after four years and is dedicated to maintain the quality of the facility and its programs. A portion of the donation is being used for youth programming scholarships and upgrades in point of sales and membership software. The available balance at June 30, 2007 is \$181,719.

Ratio Analysis

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The Recreation Center is a stand alone entity with regard to the bonds issued for construction of the facility.

Bond covenants require that a 1.25 Debt Service Ratio be maintained. The ratio for 2007 and 2006 was 2.21 and 2.13, respectively.

Utilization Rates

Student utilization rates are remaining high with 11,458 of 12,608 (91%) enrolled students using the facility during the course of the year. Visits by members and non-members totaled 401,265 during fiscal 2007 with the highest number of visits exceeding 3,000 in a given day.

Economic Factors and Significant Events

The Recreation Center is in the process of procuring approximately \$110,000 of new cardio equipment for the facility that will arrive during fiscal 2008. Also in process is the recruitment of a Facility Coordinator, a new position that will oversee the student, maintenance, and custodial staff. This position will incur approximately \$45,000 in wages and benefits during fiscal 2008.



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Independent Auditors' Report

The Board of Trustees
Western Washington University:

We have audited the accompanying statements of net assets of Western Washington University Wade King Student Recreation Center (Recreation Center) as of June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Recreation Center. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Recreation Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Recreation Center are intended to present the net assets, results of operations, and cash flows of only that portion of the activities of Western Washington University that is attributable to the transactions of the Recreation Center. They do not purport to, and do not, present fairly the financial position of Western Washington University, as of June 30, 2007 and 2006, the results of operations or changes in net assets, or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Recreation Center as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 1 through 7 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

September 28, 2007

WADE KING STUDENT RECREATION CENTER
STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

Assets	2007	2006
Current assets		
Cash and cash equivalents	\$ 536,342	\$ 375,592
Investments	949,063	767,118
Accounts receivable, net of allowance of \$4,409 in 2007 and \$4,627 in 2006	78,345	89,512
Receivable from Western Washington University Foundation	181,719	147,660
Inventory	4,173	3,719
Total current assets	<u>1,749,642</u>	<u>1,383,601</u>
Noncurrent assets		
Restricted investments	843,480	612,394
Building and equipment, net	<u>25,083,324</u>	<u>25,804,940</u>
Total noncurrent assets	<u>25,926,804</u>	<u>26,417,334</u>
Total assets	<u>27,676,446</u>	<u>27,800,935</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	13,241	11,101
Accrued wages and benefits	78,493	80,131
Deferred revenue	189,594	176,808
Interest payable	215,858	219,358
Current portion of bonds payable	<u>545,000</u>	<u>525,000</u>
Total current liabilities	<u>1,042,186</u>	<u>1,012,398</u>
Noncurrent liabilities		
Bonds payable, less current portion	<u>25,191,065</u>	<u>25,686,357</u>
Total liabilities	<u>26,233,251</u>	<u>26,698,755</u>
Net Assets		
Invested in building and equipment, net of related debt	(652,741)	(406,417)
Restricted for system renewals and replacements	843,480	612,394
Unrestricted	<u>1,252,456</u>	<u>896,203</u>
Total net assets	<u>\$ 1,443,195</u>	<u>\$ 1,102,180</u>

See Notes to Financial Statements

WADE KING STUDENT RECREATION CENTER
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Service and activity fees, net of mandatory transfer	\$ 3,527,755	\$ 3,404,925
Staff, faculty, and alumni membership fees	189,062	194,758
Instructional course fees	88,656	96,233
Other course fees	32,656	36,336
Rental revenue	52,294	56,568
Other revenues	<u>57,077</u>	<u>62,447</u>
Total operating revenues	3,947,500	3,851,267
Operating Expenses		
Salaries and benefits	861,774	875,397
Depreciation	721,616	721,342
Utilities	292,281	319,332
Repairs and maintenance	207,700	185,017
Equipment and furnishings	109,398	93,210
Supplies and materials	51,344	32,902
Administrative assessment	34,014	25,341
Insurance	26,287	19,766
Other	<u>86,315</u>	<u>66,240</u>
Total operating expenses	<u>2,390,729</u>	<u>2,338,547</u>
Income from operations	1,556,771	1,512,720
Nonoperating Revenues (Expenses)		
Investment income	122,744	69,714
Gift income	50,050	50,000
Interest expense	(1,312,650)	(1,332,983)
Amortization of bond discounts and costs	(50,316)	(47,170)
Parberry Fitness Center support	<u>(25,584)</u>	<u>(25,639)</u>
Total nonoperating expenses	<u>(1,215,756)</u>	<u>(1,286,078)</u>
Increase in net assets	341,015	226,642
Net Assets, Beginning of Year	<u>1,102,180</u>	<u>875,538</u>
Net Assets, End of Year	<u>\$ 1,443,195</u>	<u>\$ 1,102,180</u>

See Notes to Financial Statements

**WADE KING STUDENT RECREATION CENTER
 STATEMENTS OF CASH FLOWS**
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$ 3,971,454	\$ 3,827,875
Payments to employees	(863,413)	(976,473)
Payments to suppliers	(805,654)	(650,500)
Net cash flows provided by operating activities	<u>2,302,387</u>	<u>2,200,902</u>
Cash Flows from Noncapital Financing Activities		
Gift income	15,991	2,690
Transfer to Parberry Fitness Center	(25,584)	(25,639)
Net cash flows used by noncapital financing activities	<u>(9,593)</u>	<u>(22,949)</u>
Cash Flows from Investing Activities		
Purchases of investments	(413,031)	(219,982)
Investment income received	122,744	69,714
Net cash flows used by investing activities	<u>(290,287)</u>	<u>(150,268)</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	-	(29,357)
Interest paid on capital debt	(1,316,757)	(1,336,957)
Principal paid on capital debt	(525,000)	(505,000)
Net cash used by capital and related financing activities	<u>(1,841,757)</u>	<u>(1,871,314)</u>
Net change in cash and cash equivalents	160,750	156,371
Cash and cash equivalents, beginning of year	375,592	219,221
Cash and cash equivalents, end of year	<u>\$ 536,342</u>	<u>\$ 375,592</u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Income from operations	\$ 1,556,771	\$ 1,512,720
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	721,616	721,342
Change in operating assets and liabilities		
Accounts receivable	11,167	3,140
Accounts payable and accrued expenses	501	(18,015)
Deferred revenue	12,786	(26,532)
Inventory	(454)	8,247
Net cash flows from operating activities	<u>\$ 2,302,387</u>	<u>\$ 2,200,902</u>

See Notes to Financial Statements

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIESOrganization

The Western Washington University Wade King Student Recreation Center ("the Recreation Center") is a self-supporting, auxiliary enterprise of Western Washington University ("WWU"). The Recreation Center is an open recreation fitness and wellness facility for the benefit of eligible students and associated members of WWU. The facility includes a lap/leisure pool and a whirlpool, a three-court gym with elevated running track, a multi-activity court, a rock climbing wall, weight and cardio areas, two group exercise/aerobic rooms, locker rooms, a wellness resource room, therapeutic massage room, a retail food service and lounge area, a conference room, and administrative offices for the Department of Campus Recreation. The Recreation Center is located on the WWU Campus and is supported by a service and activity fee assessed to students quarterly. In addition, memberships are available for purchase by faculty/staff, alumni, and others closely associated with WWU. Faculty and staff members may use the Parberry Fitness Center in addition to the Wade King Student Recreation Center when a membership is purchased.

The Recreation Center supports the facility and equipment upgrades to the Parberry Fitness Center. Other revenues come from operating activities such as course fees and locker and facility rentals.

The facility was named in memory of Wade King, a 10-year old who died in 1999 in a pipeline explosion in Bellingham. His parents, Frank and Mary King, pledged a lifetime gift of \$50,000 per year to the WWU Foundation, a related party, restricted for support to ensure continued quality facilities and programs at the Recreation Center. The Recreation Center plans to draw the funds from the WWU Foundation when the expenditures are incurred.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net assets, results of operations, and cash flows of the Recreation Center. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations, or changes in net assets of WWU.

Basis of Accounting

The Recreational Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Recreation Center has elected not to apply any FASB pronouncements after November 30, 1989.

Cash, Cash Equivalents, and Investments

WWU records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by WWU are recorded at fair value.

Accounts Receivable

Receivables are recorded at their principal balances and are due primarily from WWU students. The Recreation Center considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$4,409 and \$4,627 at June 30, 2007 and 2006 respectively, is adequate.

Inventory

Inventory consists primarily of athletic and other supplies. Inventory is stated at the lower of cost (first-in, first-out method) or market.

Building and Equipment

The building used for the Recreation Center's operations is located on WWU property. Building and equipment are stated at cost, net of accumulated depreciation. The Recreation Center capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, 40 years for buildings and 5 to 7 years for equipment.

Deferred Revenue

Summer quarter, which is the first quarter of Western's fiscal year, begins shortly before June 30. Cash received for service and activity fees related to summer session in fiscal year 2008 are deferred until the following fiscal year.

Net Assets

The Recreation Center's net assets are classified as follows:

Invested in building and equipment, net of related debt. This represents the Recreation Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets. The deficit in net assets relates to depreciation expense exceeding the principal reduction on the outstanding bonds.

Restricted for system renewals and replacements. Restricted net assets represent resources restricted in accordance with bond covenants for system renewals and replacements.

Unrestricted net assets. Unrestricted net assets represent resources derived from operations and investing activities along with operating reserves established for future replacement of assets.

Classification of Revenues, Expenses and Transfers

The Recreation Center has classified its revenues as either operating or non-operating according to the following criteria:

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services of auxiliary enterprises.

Non-operating revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as investment income.

Service and Activity Fees

Per Revised Code of Washington Section 28B.15.820, WWU is required to transfer a minimum of 3.5% of revenues collected from tuition and services and activities fees in an institutional financial aid fund.

This fund is only to be used to fund short or long term loans and grants to students in need. Service and activity fee revenue is reported net of this transfer.

Bond Premium/Discounts and Issuance Costs

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond discounts and issuance costs are presented as a reduction of the face amount of bonds payable.

Administrative Assessment

The University provides support to the Recreation Center through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are included in these financial statements.

Tax Exemptions

The University, and the Recreation Center as an auxiliary enterprise, is a tax-exempt organization under Section 115(a) of the Internal Revenue Code and is exempt from federal taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

To maximize investment income, WWU combines funds from all departments into an investment pool. The Recreation Center records their percentage of cash, cash equivalents, and investments in the same relation as the WWU investment pool itself. Investment income is allocated to the Recreation Center in proportion to its average balance in the investment pool.

Interest Rate and Credit Risk

The WWU investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool ("LGIP").

	2007	Weighted Average Maturity	2006	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	\$ 536,342	4.1 months	\$ 375,592	5.2 months
Investments				
WWU Investment Pool	<u>1,792,543</u>	4.1 months	<u>1,379,512</u>	5.2 months
	<u>\$ 2,328,885</u>		<u>\$ 1,755,104</u>	

WWU manages exposure to fair value losses by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year. In accordance with WWU's Investment Policy, no investment maturity exceeds five years.

The WWU pooled investment with the LGIP is invested in high-quality, short-term investments. All investments are required to be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. Investments are

restricted to securities that mature in 397 days or less, and the portfolio maintains a weighted average maturity of 90 days or less.

Restricted investments are restricted for renewals and replacements and held in the WWU investment pool.

NOTE 3. BUILDING AND EQUIPMENT

Following are the changes in building and equipment:

	June 30, 2006	Additions	Retirements	June 30, 2007
Building	\$ 27,687,761	\$ -	\$ -	\$ 27,687,761
Equipment	146,039	-	-	146,039
	<u>27,833,800</u>	<u>-</u>	<u>-</u>	<u>27,833,800</u>
Less accumulated depreciation	(2,028,860)	(721,616)	-	(2,750,476)
Building and equipment, net	<u>\$ 25,804,940</u>	<u>\$ (721,616)</u>	<u>\$ -</u>	<u>\$ 25,083,324</u>

	June 30, 2005	Additions	Retirements	June 30, 2006
Building	\$ 27,687,761	\$ -	\$ -	\$ 27,687,761
Equipment	116,682	29,357	-	146,039
	<u>27,804,443</u>	<u>29,357</u>	<u>-</u>	<u>27,833,800</u>
Less accumulated depreciation	(1,307,518)	(721,342)	-	(2,028,860)
Building and equipment, net	<u>\$ 26,496,925</u>	<u>\$ (691,985)</u>	<u>\$ -</u>	<u>\$ 25,804,940</u>

NOTE 4. BONDS PAYABLE

The Recreation Center issued the Revenue Bonds Series, 2002, in February 2002. The bonds bear interest at rates of 4% to 5% and mature serially until 2033. The bonds have an aggregate face amount of \$26,545,000 and \$27,070,000 at June 30, 2007 and 2006, which is reported net of the unamortized original issue discount, bond issuance costs, and a loss on defeasance (discussed below) of \$808,935 and \$858,643, respectively.

On May 1, 2004, the Recreation Center defeased \$1,190,000 of the 2002 Revenue Bonds that were uncommitted due to lower than anticipated construction costs. Of these funds, \$191,000 was used toward the May 1, 2004, interest payment with the remaining \$999,000 placed in an escrow account to purchase United States Treasury securities used to legally defease \$945,000 of the bonds and pay related costs of \$54,000.

Management expects the defeasance will provide a savings of approximately \$2.3 million in debt service over the life of the bonds. WWU incurred an accounting loss of \$74,795 as a result of the defeasance. This loss is being amortized over the remaining life of the bonds.

Aggregate maturities or payments required for principal and interest under bond obligations for each of the succeeding five fiscal years and thereafter are as follows:

	Principal	Interest	Payment
2008	\$ 545,000	\$ 1,295,150	\$ 1,840,150
2009	565,000	1,273,350	1,838,350
2010	585,000	1,250,750	1,835,750
2011	615,000	1,225,888	1,840,888
2012	640,000	1,199,750	1,839,750
2013-2017	3,665,000	5,537,980	9,202,980
2018-2022	4,655,000	4,539,000	9,194,000
2023-2027	5,945,000	3,253,500	9,198,500
2028-2032	7,580,000	1,611,500	9,191,500
2033	1,750,000	87,500	1,837,500
	<u>\$ 26,545,000</u>	<u>\$ 21,274,368</u>	<u>\$ 47,819,368</u>
Less unamortized costs	(744,896)		
Less unamortized loss on defeasance	(64,039)		
	<u>\$ 25,736,065</u>		

Following are the changes in bonds payable:

	Beginning Balance	Additions and Amortization of Bond Costs	Retirements	Ending Balance	Current Portion
As of June 30, 2007					
Series 2002 Revenue Bonds, net of unamortized bond costs of \$744,897 and \$791,153 at June 30, 2007 and 2006, respectively	<u>\$26,211,357</u>	<u>\$49,708</u>	<u>(\$525,000)</u>	<u>\$25,736,065</u>	<u>\$545,000</u>
As of June 30, 2006:					
Series 2002 Revenue Bonds, net of unamortized bond costs of \$791,153 and \$834,204 at June 30, 2006 and 2005, respectively	<u>\$26,669,793</u>	<u>\$46,564</u>	<u>(\$505,000)</u>	<u>\$26,211,357</u>	<u>\$525,000</u>

In accordance with resolutions of the Board of Trustees, WWU sold the Recreation Center Bonds to investors who have a first lien on, and are to be paid solely from the gross revenue from the operation of the Recreation Center. The amounts and limitations of this pledge are set forth in the resolutions of the Board of Trustees.

Pursuant to the 2002 series resolution, the Recreation Center purchased a surety bond as a substitute for the 2002 series resolution debt service reserve account requirements. The surety bond guarantees payment of the bonds in the event net revenues from operations are not sufficient to meet required payments. The bond covenants also require that the Recreation Center transfer monies each year to an account held as restricted net assets for renewals and replacements of the facilities.

NOTE 5. PENSION PLAN

Recreation Center employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP).

WWU contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits, and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service.

The Washington State Legislature establishes or amends benefit provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in the Comprehensive Annual Financial Report publicly available from the Washington State Department of Retirement System, P. O. Box 48380, Olympia, WA 98504.

WWURP is a defined contribution pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit provision.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times. The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the contributions. All required employer and employee contributions have been made.

The Recreation Center contributed approximately \$18,432 and \$16,421 to these plans in 2007 and 2006, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.